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The Role of External Accountants as Service Providers for SMEs: a Literature Review

ABSTRACT

The role of external accountants as service providers for SMEs is tremendously changing. Accountants are no longer “bean counters” who mainly fulfil legal requirements, but act as business advisors who are able to create added value for their SME-clients. However, the potential of accountants is not always exploited to its full extent. It seems that accountants could be more alert for problems their clients face, whereas owner-managers on the other hand might not always be aware of the benefits their accountant is able to offer. This paper provides an overview of different determinants in asking business advice from an external accountant. Furthermore, several opportunities and challenges for accountants within their role as a business advisor are identified. These findings might further improve their service provision and strengthen the relationship with their clients, which in turn might benefit the long-term survival of SMEs.

Keywords: external accountant – SMEs – service provision – literature review

De rol van externe boekhouders/accountants als dienstverleners voor kmo's ondergaat een transformatie. Zij vervullen niet enkel wettelijk verplichte opdrachten, maar fungeren als adviesverleners die een effectieve meerwaarde bieden aan kmo-klanten. Deze potentiële meerwaarde wordt echter niet steeds ten volle benut. Enerzijds zouden accountants alerter kunnen zijn voor moeilijkheden waarmee hun klanten geconfronteerd worden, terwijl ondernemers anderzijds zich niet altijd bewust blijken te zijn van de voordelen die hun accountant kan bieden. Deze paper biedt een duidelijk overzicht van de determinanten die leiden tot een vraag naar advies verleend door de externe boekhouder/accountant, en brengt opportuniteiten voor de accountant als adviesverlener in kaart. Op basis van deze bevindingen worden uitdagingen voor accountants geïdentificeerd teneinde hun dienstverlening verder te optimaliseren, wat op zijn beurt een positieve impact kan hebben op de performantie van kmo-klanten.

Keywords: externe accountant – kmo – dienstverlening – literatuuroverzicht

1. INTRODUCTION

The backbone of the European economy is represented by Small and Medium-sized Enterprises (SMEs); 99.8% of the European economic entities are SMEs (GAGLIARDI ET AL., 2013; EUROPEAN COMMISSION, 2016; UNIZO, 2016). These European SMEs contribute substantially to the European employment (66.90%) (European Commission, 2016; UNIZO, 2016).

Despite their importance, a lot of SMEs have difficulties in coping with the tough econo-

mic circumstances. According to KARADAG (2015), many SMEs have to compete with limited resources in environments with high risks and uncertainty. ZIMMERER & SCARBOROUGH (2005) found that “poor management, managerial mistakes, failure to develop a strategic plan and poor financial control” are major causes of small businesses’ failures. Entrepreneurs need knowledge of various functional areas and a variety of competencies and skills to manage their business goals and to assess the economic situation in which they operate (KIRBY & KING, 1997;

The Role of External Accountants as Service Providers for SMEs: a Literature Review

BIRKETT, 2000; HALABI ET AL., 2010; ROPEGA, 2011; KAMYABI & DEVI, 2012; ENIOLA & ENTEBANG, 2016). As SMEs are often founded and managed by individuals, it is difficult to excel in every aspect of the entrepreneurship. The founder(s) could be (a) specialist(s) in managing a production process or developing new products/ideas, or a born marketer (YUSOFF, 2006; HALABI ET AL., 2010). However, founders of SMEs cannot be a specialist in each of the areas to run a business efficiently and successfully (YUSOFF, 2006).

The resource based theory explains that due to limited in-house knowledge, capabilities and competencies of smaller firms, it is essential for them to obtain resources from external advisors who guide them in managing their business (BENNETT & ROBSON, 2005; YUSOFF, 2006; DYER & ROSS, 2008; BLACKBURN & JARVIS, 2010; KAMYABI & DEVI, 2011a,b; BARBERA & HASSO, 2013; PICKERNELL ET AL., 2013; CAREY & TANIEWSKI, 2016). Previous research found that accountants are important advisors to small businesses, next to bankers, lawyers, friends, professional entrepreneurial organisations and SME networks (KIRBY & KING, 1997; BENNETT & ROBSON, 1999; DØVING ET AL., 2004; GOODERHAM ET AL., 2004; BERRY ET AL., 2006; BLACKBURN ET AL., 2006; CASSAR & ITTNER, 2009; SCOTT & IRWIN, 2009; BLACKBURN & JARVIS, 2010). Accounting and tax requirements are often perceived as complex (BLACKBURN & JARVIS, 2010) and require a thorough knowledge and understanding of the accounting rules and tax legislation (MARRIOTT & MARRIOTT, 2000). As this knowledge and necessary skills are not always internally available in SMEs, external accountants are mainly consulted for their expertise on accounting and tax-related issues (EVERAERT ET AL., 2007). However, the current developments in the accounting profession clearly show that the accountant is providing more and more customised business advice to SMEs, making additional accounting & finance-related analyses, to support the decision making process of the SME-manager. Furthermore, more time becomes available for business advice, since the accounting technology is evolving exponentially in terms of automation. *Hence, the question remains how the external accountant will position him/herself in this changing context, knowing that he/she is just one of the many service providers, helping SMEs in tackling their challenges?*

This study aims to provide a literature review, leading to the following contributions. First, the changing role of the accountant as a service provider is stipulated. Given the different needs of

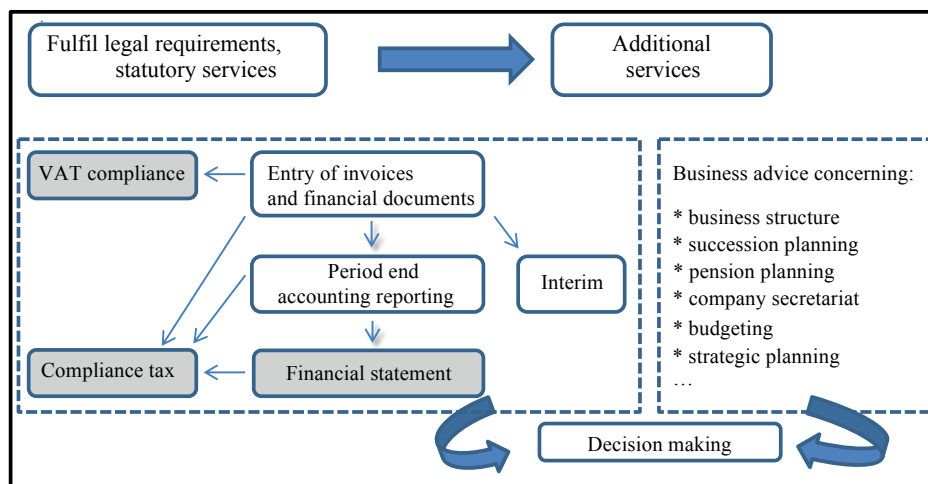
SMEs, five opportunities in offering business advice are identified. Second, the question whether business advice provided by external accountants really matters for SMEs in terms of performance, is explored. Third, different determinants that explain why an SME relies on the accountant for business advice are summarised. Previous studies have individually focused on a small number of determinants, whereby this paper provides a broad overview of these different determinants. Finally, challenges and opportunities in providing business advice by external accountants are identified, which might further benefit the development of SME-clients.

2. OPPORTUNITIES FOR THE EXTERNAL ACCOUNTANT AS A BUSINESS ADVISOR

Many SMEs need their external accountant to cope with *mandatory* requirements (MARRIOTT & MARRIOTT, 2000; BERRY ET AL., 2006; HALABI ET AL., 2010; SARENS & EVERAERT, 2010). The traditional role of the external accountant consists therefore of the fulfillment of legal obligations: process invoices and financial transactions, period-end accounting, prepare the financial statement and comply with tax regulations (EVERAERT ET AL., 2007; LYBAERT & ZEELMAEKERS, 2016). These legally required accounting and tax services are also described as “*statutory services*”.

This relationship, established out of necessity to comply with legal requirements, might create a basis for a more extensive cooperation and service provision (BLACKBURN & JARVIS, 2010; BLACKBURN ET AL., 2010). This means that the owner-manager seeks ‘*business advice*’, advice that transcends the legal obligations and adds value to the (financial) performance of the company (PARKER, 2001; CASSAR & ITTNER, 2009; ACCA, 2012; LYBAERT & ZEELMAEKERS, 2016). BLACKBURN ET AL. (2010) define this business advice as “the provision of professional services, provided by accountants, that assist or advise clients in the strategic direction and operational running of the firm”. In this respect, they found that accounting firms offer several *additional* services such as advice concerning the business structure, succession planning, pension planning, company secretariat to businesses, budgeting and valuations. As illustrated in Figure 1, firms seek tailored advice in order to increase their competitiveness and attain their goals (BENNETT & ROBSON, 2003; CAREY & TANIEWSKI, 2016).

Figure 1: Services provided by an external accountant



Previous research has tried to quantify how much SMEs use the accountant for business advice. A summary is provided in Table 1, showing percentages from 38% to 96%, which is a broad range. However, two critical remarks are needed here. Previous studies show different methodologies and define 'services' or 'advice' in a different way (MOLE ET AL., 2016). BLACKBURN & JARVIS (2010) state that "research should be more precise when reporting on the size and type of advice provided in the relationship between external accountants and SMEs". In addition, the difference in use of accountants might be explained by the different legal contexts wherein the studies were conducted (BLACKBURN & JARVIS, 2010). The legal context in Belgium for example, is very limited to what is called "an accountant" and quite different from other countries. In particular, only members of the 'Belgian Institute of Accountants and Tax Consultants' (IAB) hold the title 'Accountant' and are chartered to provide bookkeeping services, different types of advisory services and

advanced services such as due diligence assignments for firms that do not have an external auditor. Members of the 'Professional Institute of Chartered Bookkeepers and Tax Specialists' (BIBF) have the title 'Bookkeeper' and their service package is slightly limited; bookkeepers are for example not chartered to perform advanced services such as a valuation or a dissolution of a company. A very important character that differs Belgian bookkeepers and accountants from the international context, is that none of them are chartered to provide audit services. In Belgium, audit services are only provided by members of the Institute of External Auditors (IBR), which is a separate and independent organisation (SARENS et al., 2015). Therefore, the term accountant should be understood in this context as a professional, not involving the auditor, which might explain the high percentage of use in Table 1.

The Role of External Accountants as Service Providers for SMEs: a Literature Review

Table 1: Accountants as sources of advice

Accountants as sources of advice	Context	Author(s)
96%	Belgium	LYBAERT & ZEELMAEKERS (2016)
94%	Australia	JAY & SCHAPER (2003)
90%	England	KIRBY & KING (1997)
89%	Australia	BREEN ET AL. (2003)
85%	UK	BERRY ET AL. (2006)
83%	Britain	ROBSON & BENNETT (2000)
75%	UK	BLACKBURN ET AL. (2006)
74%	England	BENNETT & SMITH (2002)
74%	UK	CARTER ET AL. (2006)
69%	Australia	CAREY (2015)
67%	Australia	CAREY & TANIEWSKI (2016)
64%	USA	CASSAR & ITTNER (2009)
61%	Britain	SERT TEAM (2007)
45%	Norway	GOODERHAM ET AL. (2004)
38%	UK	SCOTT & IRWIN (2009)
16%	England	MOLE ET AL. (2016)

As the role of the external accountant is changing, the specific range of provided accounting and additional services earns special attention (CAREY, 2015). Also from the point of view of the accountants themselves, empirical evidence is inconclusive about the *actual importance* of additional services in the service package delivered by accountants. DEVI & SAMUJH (2010) found that almost 70% of the accountants spend less than 40% of their time on providing additional services. They found that only 6% of the accountants earned more than 60% from the provision of additional non-statutory services. Consequently, accountants' revenues were mainly derived from the provision of statutory services. This may indicate that providing statutory services is more lucrative for accountants than non-statutory services (BLACKBURN ET AL., 2010). Other studies found that additional advisory services actually gain *more* revenues compared to the traditional accounting services (BREEN ET AL., 2003; DØVING

& GOODERHAM, 2005). And the broader the range of services an accountant provides, the larger the revenues that are derived from additional advisory services (DØVING ET AL., 2004).

Accountants need therefore *to explore opportunities* to provide advisory services that transcend their traditional role, and identify the needs of their SME clients (BLACKBURN ET AL., 2010). Big accounting firms – such as the “Big Four” – have a lot of resources which enables them to provide their clients a variety of accounting and *more specialised services* (BLACKBURN & JARVIS, 2010). Small(er) accounting firms may not be able to offer a similar broad service package (BLACKBURN & JARVIS, 2010), but still many opportunities exist to cope with the needs of the customers, given the changing role of accountants. Several options exist, summarised in Table 2, linked to the needs of the customer base.

Table 2: Opportunities for accountants, linked to customer needs

	Needs of customers	Opportunities for accountants
1.	Heterogeneous group of clients, big variety of needs	Adopt service provision step-by-step, grow alongside clients
2.	Specific needs that match with offer of accountant	Well-thought constitution of client base and adjusted service package
3.	Need for full service delivery	Elaborate necessary competencies to deliver broad business advice
4.	Need for specialist advice in several domains	External networks with other service providers increase in importance
5.	(No) need for additional services	Communicate potential added value of business advisory services

For some accountants, customer SMEs are a very *heterogeneous group of clients*; their size, age, sector, growth intentions, as well as knowledge, capabilities and motivations of the owner-managers differ a lot (BLACKBURN & JARVIS, 2010). This results in a *big variety of needs and advice seeking behaviour* (BLACKBURN & JARVIS, 2010). The augmenting globalisation of businesses and broadening demands of stakeholders, challenge professional accountants to adopt their service provision and grow alongside their clients (SMITH, 2015). Several types of advice such as sustainability, corporate governance and stakeholder reporting become extremely important (SMITH, 2015). Accountants need therefore to act as business professionals who are able to supply advice concerning all management aspects, from financial reporting to strategic planning (YUSOFF, 2006; DEVI & SAMUJH, 2010; MOLE ET AL., 2016). Smith (2015) states that the profession of the accountant seems to evolve towards a more integrated accounting function, towards a role as a “strategic decision maker” (SMITH, 2015). However, this role is far away from the traditional role of accountants.

Accounting firms could specialise in a *particular group of clients* (BLACKBURN & JARVIS, 2010). SARENS et al. (2015) found a match between the *client size* and the kind of services offered by the external accountant. More specifically, smaller clients needed accounting and tax related services, while larger clients needed more additional business advice. When accountants have more large clients in their client base, they offer a broader range of advisory services (DØVING ET AL., 2004). LYBAERT & ZEELMAEKERS (2016) point out that *specialisation* in specific sectors might be an opportunity. When the client base is not coincidentally constituted, accountants can adjust their service package to the needs of their clients. Some accountants could provide general accounting and tax services, whereas others could function as specialists in a specific advisory domain. SARENS & EVERAERT (2010) found that when an accountant is able to meet all the accounting needs of clients, it is more likely that they will stay loyal.

Another opportunity might be to evolve to “one-stop professional shops”, which are able to meet *all* needs of their clients (HOWIESEN, 2003; DEVI & SAMUJH, 2010). According to KIRBY & KING (1997), accountants lack necessary skills and equipment to deliver this full service. Accountants will need more training in communication skills and business advisory techniques, enabling them to process and translate complex business information into clear advice (KIRBY & KING, 1997; BLACKBURN & JARVIS, 2010; DEVI & SAMUJH, 2010). Furthermore, accountancy practices should not only contain accounting and tax specialists, but also “individuals with different but complementary competencies” (BULUKIN ET AL., 2005). When all internal staff members are speci-

alised in accounting matters, less additional advisory services are provided (DØVING ET AL., 2004; DØVING & GOODERHAM, 2005; BULUKIN ET AL., 2005; SARENS ET AL., 2015). When accounting practices exist of several specialists, they create an opportunity to function as a one-stop-shop for their clients (BULUKIN ET AL., 2005).

In this respect, *external networks* with other service providers are essential to further diversify the service package in order to cope with the wide variety of service demand (BAGCHI-SEN & KUECHLER, 2000; BULUKIN ET AL., 2005; DØVING & GOODERHAM, 2005; BLACKBURN & JARVIS, 2010; SARENS et al., 2015). When accountants rely on other professional service providers in their external networks, they are able to develop a broader range of advisory services (BULUKIN et al., 2005). The capability, internal development of human capital, external networks and the strategic intention of accountants are very important in developing a long-term relationship with their client (DØVING ET AL., 2004; BULUKIN et al., 2005; DØVING & GOODERHAM, 2005; BLACKBURN & JARVIS, 2010).

As owner-managers are not always aware of the potential added value, it is important for accountants to communicate the business advisory services they can potentially offer (BLACKBURN ET AL., 2010; LYBAERT & ZEELMAEKERS, 2016). In that perspective, it is important to evolve from the traditional “time-based pricing” towards a “value-based pricing” (DEVI & SAMUJH, 2010), in order to adapt to the changing accounting environment and reveal their added value for SME clients. In sum, the role of accountants is changing, which provides many opportunities for accountants, depending on the strategic intent.

3. INFLUENCE ON PERFORMANCE OF SME CLIENTS

Some studies found that outsourcing of *statutory accounting services* has a positive influence on firm performance (GILLEY ET AL., 2004; DANJUMA, 2015). Other researchers also found a positive relation between the degree in which an SME uses its external accountant for *additional business advice* and SME performance (BERRY ET AL., 2006; DYER & ROSS, 2008; KAMYABI & DEVI, 2011a; KAMYABI & DEVI, 2012; BARBERA & HASSO, 2013; CAREY, 2015). Others found no relation between *advice* from the external accountant and the performance of the company (KIRBY & KING, 1997; ROBSON & BENNETT, 2000; BLACKBURN & JARVIS, 2010; DEVI & SAMUJH, 2010). Several reasons for these unequivocal results are raised in the literature, which will be discussed in the next paragraphs.

Many different measures for SME-performance are used (see Table 3). According to BENNETT & ROBSON (2005) “this suggests the need for considerable care in framing impact assessments”.

The Role of External Accountants as Service Providers for SMEs: a Literature Review

Table 3: Measurements of performance

Firm performance	Context	Author(s)
SME growth *% change in employment *% change in firms' turnover *% change in profitability per employee	Britain	ROBSON & BENNETT (2000)
Impact of business advice (1 = no impact; 5 = crucial impact)	UK	MOLE (2002)
Growth rate = business turnover growth	UK	BERRY ET AL. (2006)
Importance <i>and</i> satisfaction (5-point scale) of: *Amount of profits *Profit as a % of sales *Profit as a % of investment *Growth in sales *Growth in profits	Canada	DYER & ROSS (2008)
Importance <i>and</i> satisfaction (7-point scale) of: *Profitability *Growth in sales *Return on assets *Cash-flow *Lifestyle *Independence *Job security	Iran	KAMYABI & DEVI (2011a) KAMYABI & DEVI (2012)
<u>Failure</u> = firm ceased operations in 1 – 2 years after the year an external accountant was used. <u>Sales growth</u> = increase of the nominal dollar value of the total generated annual sales.	Australia	BARBERA & HASSO (2013)
Aggregate measure of seven performance dimensions, self-rated by the SME, relative to their competitors' performance scaled by importance (7-point scale): *Profit *Cash flow *Cost control *Revenue growth *Market share *New product/service development *Market development	Australia	CAREY (2015)

Researchers have also used different descriptions and definitions for “business advice”, making it difficult to compare. KAMYABI & DEVI (2011a) for example, included both statutory and additional services and described “outsourcing of accounting functions/tasks” as “bookkeeping works, preparation of financial statements, payroll accounting, budgeting, customer profitability analysis, product costing, financial planning, financial management services, business strategy and planning, performance management, tax consultancy, business advice, management consultancy, financing advice and IT consultancy”. ROBSON & BENNETT (2000) found that external business advisors can impact firm performance positively for only a small number of sources such as advice on business strategy and advice

concerning staff recruitment. Furthermore, BERRY ET AL. (2006) discovered that the degree of “emergency, financial management and business advice” provided by the accountant, significantly contributed to the growth of the firm. Future research is needed here, to analyse the provision of additional services in different stages of the life cycle of the company and explore the contributing areas more in detail.

Causality between advice and performance is difficult to assess in field studies (ROBSON & BENNETT, 2000; MOLE, 2002). Advice from accountants tends to fulfil a niche role in supporting growth of the firm (ROBSON & BENNETT, 2000). However, market conditions, interest rates and firm characteristics (such as size,

age) can also have an influence on the eventual growth and performance of a firm (ROBSON & BENNETT, 2000; MOLE, 2002). Is a good performance and growth of a firm the result of advice, or are growing firms (with good performance) more likely to purchase advice? (ROBSON & BENNETT, 2000; MOLE, 2002).

As previous research has stressed the important role of external accountants, it is interesting to explore the determinants for the purchase of business advice by owner-managers of SMEs, which is addressed in the next paragraph.

4. DETERMINANTS FOR SMEs IN ASKING BUSINESS ADVICE FROM AN EXTERNAL ACCOUNTANT

SMEs do vary in the degree to which they ask business advice from their accountant. Previous research has extensively addressed the question why a particular owner-manager of an SME perceives his/her accountant as a business advisor, while others only rely on him/her for legally required statutory tasks. The demand for advice is driven by several determinants which can be divided into four groups: determinants related to the *relationship with the external accountant*, the *external accountant himself/herself*, the *SME* (as a company) and the *owner-manager* (as a person). In previous research this overview is lacking, therefore in this section, the determinants are explored in detail. A summary is shown in Table 4.

Table 4: Evidence of significant determinants for SMEs in asking business advice from an external accountant

Relationship with the external accountant	Author(s)
Intensity (+)	BENNETT & ROBSON (2005)
Quality established relationship (+)	KIRBY & KING (1997), GOODERHAM ET AL. (2004)
Length of relationship (-)	CAREY & TANIEWSKI (2016)
Trust (+)	BENNETT & ROBSON (1999), BULUKIN ET AL. (2005), BLACKBURN ET AL. (2010), KAMYABI & DEVI (2011b)
The external accountant	Author(s)
Professional ethics (+)	BLACKBURN ET AL. (2010)
Competence of the external accountant (+)	GOODERHAM ET AL. (2004), BULUKIN ET AL. (2005), BLACKBURN ET AL. (2006), McNEILLY & BARR (2006), BLACKBURN ET AL. (2010), KAMYABI & DEVI (2011a), CAREY & TANIEWSKI (2016)
Empathy, client-orientation (+)	BULUKIN et al. (2005), BLACKBURN ET AL. (2010)
Strategic intention accountant (+)	BULUKIN et al. (2005)
The SME	Author(s)
Size (+)	BENNETT & ROBSON (1999), ROBSON & BENNETT (2000), BENNETT & ROBSON (2005), CAREY & TANIEWSKI (2016)
Age of the firm (-)	KIRBY & KING (1997)
Innovation (+)	ROBSON & BENNETT (2000)
Competitive intensity (+)	KAMYABI & DEVI (2011b), KAMYABI & DEVI (2012)
Complexity marketing decisions (+)	KAMYABI & DEVI (2012)
Corporate strategy (+)	KAMYABI & DEVI (2011b)
Growth (+/-)	ROBSON & BENNETT (2000), CAREY & TANIEWSKI (2016)
Board size (-)	CAREY & TANIEWSKI (2016)
Employment qualified accountant (-)	CAREY & TANIEWSKI (2016)
The owner-manager	Author(s)
Perceived value (+)	KIRBY & KING (1997), BLACKBURN ET AL. (2010)
Cost of the service (-)	BENNETT & ROBSON (2005)
Use computerised accounting system (+)	BREEN et al. (2003)
Owner/manager knowledge (-)	CASSAR & ITTNER (2009)
Owner/manager knowledge (+)	KAMYABI & DEVI (2011a), KAMYABI & DEVI (2012), SCOTT & IRWIN (2009)
Owner/manager accounting experience (+)	CASSAR & ITTNER (2009)
Gender	SCOTT & IRWIN (2009)
Ethnicity	SCOTT & IRWIN (2009)

The Role of External Accountants as Service Providers for SMEs: a Literature Review

4.1. Determinants related to the relationship with the external accountant

Statutory services are in most cases considered as a cost, as they are obliged anyway (BLACKBURN ET AL. 2010; LYBAERT & ZEELMAEKERS, 2016). Because of the legal obligations, SMEs already have contact with their accountant on a *regular basis* (DEVI & SAMUJH, 2010). An *existing relationship* could be an opportunity for accountants to strengthen and deepen their relationship with their clients by offering noncompliance services (KIRBY & KING, 1997; GOODERHAM ET AL., 2004; BENNETT & ROBSON, 2005; YUSOFF, 2006; DEVI & SAMUJH, 2010). However, it is actually no guarantee that the mere existence of a *long-term cooperation* in which statutory services are provided, will result in a demand for additional services (BLACKBURN & JARVIS, 2010; CAREY & TANEWSKI, 2016). So which other determinants are important?

The baseline in the cooperation is *trust*, which provides an opportunity for further business advice (BENNETT & ROBSON, 1999; BULUKIN et al., 2005; BLACKBURN ET AL., 2010; KAMYABI & DEVI, 2011b). 'Trust' can be explained in three different dimensions; institutional trust, relational trust and competence trust (BLACKBURN & JARVIS, 2010). As an accountant is a member of an institute and the profession is strictly regulated, accountants draw great *'institutional trust'* (BENNETT & ROBSON, 1999; BLACKBURN & JARVIS, 2010). The institution applies codes of conduct and accountants have to comply with the *deontology* including "ethics, data protection, trading standards, discipline and enforcement" (BLACKBURN & JARVIS, 2010; BLACKBURN ET AL., 2010). These requirements thus lead to a professional and confidential atmosphere towards owner-managers. Their high level of specialisation and institutional trust results in a high level of use (BENNETT & ROBSON, 1999). This institutional trust concerns mainly the statutory services. Because of the fact that firms need an accountant to comply with legal requirements, accountants develop a legitimate power (MOLE, 2002).

According to BERRY ET AL. (2006) only 33% of the owner-managers perceive the external accountant as someone who *can* offer *business advice*. In order to facilitate *business advice*, *'competence trust'* is a necessary dimension to extend the relationship between the owner-manager and the accountant (BLACKBURN & JARVIS, 2010). Furthermore, external accountants and owner-managers develop a *'relational trust'* during their long-term relationship, which might in turn impact re-use intentions (BLACKBURN & JARVIS, 2010). This third dimension of trust is a result of the *perceived delivered quality* to the owner-manager (KIRBY & KING, 1997; GOODERHAM ET AL., 2004; BLACKBURN ET AL., 2010; DEVI & SAMUJH, 2010). When trust is built, owner-managers are likely to rely on their external accountant as their counsellor, even if the type of advice might at first not be their 'core expertise' (BLACKBURN ET AL., 2010). Trust is therefore very important in their ongoing re-

lationship and in the decision of the owner-manager to use the accountant for further business advice (BLACKBURN & JARVIS, 2010, KAMYABI & DEVI, 2011). SARENS & EVERAERT (2010) confirm this statement as they found that the perceived quality of the provided services and the impact of these services on SME-performance reinforce loyalty.

4.2. Determinants related to the external accountant

Owner-managers have to be convinced of the accountants' *specialised knowledge, competence and expertise* to offer added value, translated in an *advice* (GOODERHAM ET AL., 2004; BULUKIN et al., 2005; BLACKBURN ET AL., 2006; McNEILLY & BARR, 2006; SAMUJH & DEVI, 2008; BLACKBURN & JARVIS, 2010; BLACKBURN ET AL., 2010; KAMYABI & DEVI, 2011a,b; CAREY & TANEWSKI, 2016). SME clients need time to verify if their accountant is capable to provide business advice (CAREY & TANEWSKI, 2016). In an ongoing cooperation, SMEs use less advice when their accountant seems not to be a competent advisor (CAREY & TANEWSKI, 2016). In order to convince owner-managers of their competence, specialised knowledge of the company, the industry they operate in, and establishing *empathy* are important elements (McNeilly & BARR, 2006; BLACKBURN ET AL., 2010). Empathy can be defined as "understanding and genuinely caring about the clients' interests. It requires the accountant to take time to genuinely understand the clients' business and personal needs" (BULUKIN et al., 2005; BLACKBURN ET AL., 2010). Therefore, the accountant needs to create a "shared context-specific language and understanding of what contributes to value enhancement" (BULUKIN et al., 2005).

When building long-term relationships, the *strategic intention of the accountant* to offer additional advisory services is of crucial importance for external accountants to extend and fulfil their role as a business advisor (BULUKIN et al., 2005; DEVI & SAMUJH, 2010). BLACKBURN ET AL. (2010) state that "owner-managers tend to purchase additional non-compliance business services from their accountant after they have nurtured a relationship with their business advisor(s) to minimise uncertainty, while simultaneously, recognising that an SME's competitive advantage can lie in the professional relationship the owner-manager builds with the external accountant".

4.3. Determinants related to the SME

Some firm-specific characteristics influence the use of advice from accountants. *Firm size* seems an important indicator of the use of external advice, although research is inconclusive (BENNETT & ROBSON, 1999; ROBSON & BENNETT, 2000; BENNETT & ROBSON, 2005; CAREY & TANEWSKI, 2016). BENNETT & ROBSON (1999) found

an inverse U-distribution for demand of advice provided by accountants. The smaller the firm, the more they use an external accountant. GOODERHAM ET AL. (2004) and KAMYABI & DEVI (2011b) on the other hand, found that the size of the firm is not related to the use of external accountants.

The *age* of the firm is another explanatory variable in the use of advice (KIRBY & KING, 1997; BENNETT & ROBSON, 2003). During the start-up process, it is expected that owner-managers seek a lot of external advice and assistance (DEAKINS, 2001; BENNETT & ROBSON, 2003; PICKERNELL ET AL., 2013). As the company becomes more experienced and is able to engage specialised employees, the need for external advice decreases. In other words, older firms tend to seek less external advice from accountants (KIRBY & KING, 1997; ROBSON & BENNETT, 2000; BENNETT & ROBSON, 2003). It would be interesting to explore the service provision of external accountants during the start-up phase of SMEs, with special attention to the added value of the guidance and explanation of the external accountant to develop the start-up.

New business processes also tend to increase the need of advice provided by accountants, as these firms are going through *new and unknown phases* (ROBSON & BENNETT, 2000). A high degree of *competitive intensity* increases the use of advisory services provided by the external accountant (KAMYABI & DEVI, 2011b; KAMYABI & DEVI, 2012). Furthermore, *complex decisions* that have to be made (KAMYABI & DEVI, 2012) and a clear *corporate strategy* influence the demand of advisory services positively (KAMYABI & DEVI, 2011b).

A *growing* company, or a restructuring company tends to increase the take-up of external advice (ROBSON & BENNETT, 2000). These companies are facing new unexplored phases and turn to their accountant for guidance and advice (BLACKBURN ET AL., 2010). On the other hand, CAREY & TANESKI (2016) found a negative association between growth and the use of business advice, as growing firms might not have the necessary resources to pay for the advice.

Finally, some other firm characteristics, such as a larger *board of directors* and an *in-house accountant* have a negative influence on the use of an accountant as a business advisor (BLACKBURN ET AL., 2010; CAREY & TANESKI, 2016).

4.4. Determinants related to the owner-manager

SMEs are often founded by individuals, owner-managers who want to decide individually about the operational and managerial choices of their firm, and 'stand on their own two feet' (BLACKBURN & JARVIS, 2010; cf. CURRAN & BLACKBURN, 1994). The mis-

sion and existence of the company is often strongly related to the personal values and motivations of the entrepreneur (DYER & ROSS, 2008; BLACKBURN ET AL., 2010). Consequently, they don't like outsiders to interfere with their ideas and decisions. This is referred to as the "*enterprise fortress mentality*" (BLACKBURN ET AL., 2010). Therefore, it is crucial for an owner-manager to cooperate with an accountant who understands his/her needs, who knows and respects his/her personal values, someone empathic yet expert and willing to provide an objective opinion when required (DEAKINS ET AL., 2001; BULUKIN ET AL., 2005). Some owner-managers want to decide completely on their own, while others validate their opinion or ask advice from their accountant (BLACKBURN ET AL., 2010). Mutual expectations should carefully and transparently be discussed to guarantee an efficient cooperation (BULUKIN ET AL., 2005).

The *price tag* of accounting and additional services seems to be an obstacle for owner-managers. Some expect their accountant to fulfil everything, every possible service should be provided, but they aren't always willing to pay for it (SMALLBONE ET AL., 2002; DEVI & SAMUJH, 2010). Other studies found that the cost price is actually not a critical factor to use an accountant (BREEN ET AL., 2003; BENNETT & ROBSON, 2005). It is however important that accountants provide their clients a clear explanation concerning the services provided and the fees charged. In this way, SMEs will be more capable of evaluating the provided services (BLACKBURN ET AL., 2006).

When using an accountant, an owner-manager doesn't have all the financial information immediately present (BERRY ET AL., 2006; EVERAERT ET AL., 2007). Owner-managers find it important though to keep control over their financial data (EVERAERT ET AL., 2007). Breen et al. (2003) found that owner-managers who implement *computerised accounting systems* (CAS), use their acquired financial data strategically and rely on their accountant for a wider range of services that transcend mandatory requirements, such as general business advice. These services appear to add more value for the owner-manager. This might in turn improve the financial performance of the company. Furthermore, owner-managers with CAS meet their accountant more frequently than owner-managers who do not use CAS. Computerised accounting systems should therefore not be seen as a threat, but rather as an opportunity for external accountants (MARRIOTT & MARRIOTT, 2000; BREEN ET AL., 2003).

Some authors found a negative association between the *educational background of the owner-manager* and the use of the external accountant (CASSAR & ITTNER, 2009). When an owner-manager lacks knowledge or skills, an external accountant will be consulted for further advice. However, previous studies show mainly a positive association between the *accounting know-*

The Role of External Accountants as Service Providers for SMEs: a Literature Review

ledge and experience of owner-managers and the use of accounting and additional services (SCOTT & IRWIN, 2009; KAMYABI & DEVI, 2011a; KAMYABI & DEVI, 2012). The accountant gathers and structures a lot of information, which he translates into financial statements and other accounting reports. These documents provide valuable information for the owner-manager as they inform him about the impact and consequences of decisions he made in the past, or of future decisions that have to be made. In order to take advantage of this valuable information, the owner-manager has to be able to read, understand and interpret the accounting reports (DEAKINS ET AL., 2001; HALABI ET AL., 2010). The first condition for a successful cooperation between an accountant and an owner-manager, is the capability of the owner-manager to comprehend the content and scope of the financial information and advice an accountant provides. If so, owner-managers acknowledge the added value offered by the accountant (MARRIOTT & MARRIOTT, 2000; CASSAR & ITTNER, 2009). If accountants were able to enlarge the financial skills of their clients and empower them, they could create a better insight into the importance and the scope of his advice (MARRIOTT & MARRIOTT, 2000; CAREY & TANIEWSKI, 2016). This could lead to a higher demand of business advice. An accountant is an expert, capable to formulate an objective (second), clear opinion and capable of helping the owner-manager in taking decisions (FOGARTY ET AL., 2006; HALABI ET AL., 2010). Owner-managers perceive the explanation of the figures by their external accountant as valuable and useful in order to improve their understanding of the corporate financial situation (MARRIOTT & MARRIOTT, 2000; LYBAERT & ZEELMAEKERS, 2016).

Some authors also found evidence that *men* tend to use accountants' services more in comparison to *women* (SCOTT & IRWIN, 2009).

When considering these determinants within the changing role of the external accountant, several challenges for the accountant can be distinguished. These challenges are discussed in the next section.

5. CHALLENGES

A first important challenge for external accountants is the *accounting technology*, which is evolving exponentially. Nowadays, some Belgian accountants and SME clients already adopt mobile applications (apps) that simplify and accelerate the processing of statutory requirements. The technological evolution makes it possible that external accountants follow the figures accurately and spend more time to explain the figures and evolution of the company to the owner-managers. This changing role is no longer "future music", it is happening today. It would

therefore be very interesting to analyse the specific impact of this technological evolution on the provision of business advice.

Given the technological evolution, accountants are able to *exceed the boundaries of 'their traditional role'* and act as coaches, advisors, mentors, partners who are pursuing the same goal as the owner-manager (DEVI & SAMUJH, 2010; SMITH, 2015). The role of an accountant would thereby be far more than just a one-stop-shop advisor. He/she works and builds every day with the owner-manager towards the realisation of the business' mission (BLACKBURN & JARVIS, 2010). In doing so, face-to-face contact is a crucial element (BAGCHI-SEN & KUECHLER, 2000; MOLE, 2002; BLACKBURN & JARVIS, 2010). Because of this shift in the role of the accountant, accountants will have to extend and *broaden their professional knowledge, skills and especially their competencies* (PARKER, 2001; DØVING ET AL., 2004; SAMUJH & DEVI, 2008; BLACKBURN & JARVIS, 2010; CAREY, 2015). BULUKIN et al. (2005) detect three key competencies to broaden their service range: relational, communicative and networking competencies. This may affect and influence the training accountants' needs (PARKER, 2001). This new role will require a thorough understanding of the needs and context of the client. Interpersonal skills, proactive thinking and developing empathy will be crucial (BLACKBURN & JARVIS, 2010; DEVI & SAMUJH, 2010). Because of the large variety of advice needed in SMEs and the limited ability for accountants to cover this demand, accountants should become a member of a *high quality referral network* (BLACKBURN & JARVIS, 2010). Some accountants already actively rely on a referral network, while others remain skeptic and fear loss of control and reputation when referring clients to others (BLACKBURN & JARVIS, 2010).

As the type of work for the accountant is shifting, *the pricing of that work might also need some change*. Previous research found that accountants often struggle with a lack of time. They are too busy, disorganised and lack suitable qualified personnel (DEVI & SAMUJH, 2010). In addition, accountants state that clients sometimes don't want to pay for advice (DEVI & SAMUJH, 2010), but that all their questions should be immediately resolved, whilst it is not always possible for an accountant to comply with this demand (DEVI & SAMUJH, 2010). As a consequence, accountants often concentrate on the traditional accounting tasks and explain the financial statements briefly to their clients. Therefore, owner-managers often don't know what the accountant is talking about. Because they don't have enough accounting knowledge they also don't know which questions they should ask their accountant (HALABI ET AL., 2010; ANKRAH et al., 2015). Owner-managers of SMEs can't always recognise the added value of these accounting reports (HALABI ET AL., 2010). DEVI & SAMUJH (2010) found that accountants score least well on the 'value for money' indicator, concerning the statutory services

they offer. Owner-managers estimate the reports useful when they expect that the decisions based on these reports will result in benefits that transcend the accounting-cost (GOODERHAM ET AL., 2004). Therefore, accountants should highlight their value when focusing more on the *interpretation of the figures* and the accurate follow-up of the SME in a dynamic market. A key-challenge for external accountants exists in changing the SME clients' perception on the (traditional) role of the external accountant (DEVI & SAMUJH, 2010). When advisory services will increase in importance, accountants might need to reconsider their traditional "time-based pricing" and move towards a "value-based pricing" technique (DEVI & SAMUJH, 2010).

Furthermore, small accountancy practices will need tools and routines for *identifying their clients' needs* and a learning capacity to meet these needs (BULUKIN et al., 2005). In many cases it involves developing knowledge and skills that lie significantly beyond that which is required in the delivery of standard accountancy practices. Furthermore, DEVI & SAMUJH (2010) point out that accountants should proactively inform their (potential) clients about the services they *can* offer and convince them of the positive effects their advice has, or could have, on the performance of the firm. The more knowledge the owner-manager has about the potential value of services offered by the accountant, the more inclined the owner-manager is to turn to his/her external accountant (KAMYABI & DEVI, 2011a). As business advice is often taken-up when facing a 'milestone event' (such as a merge, a large investment, a new regulation ...) it is important for external accountants to actively guide their client in every step they take (BLACKBURN ET AL., 2010).

Future external accountants should therefore not only master a great expertise, but also *social skills*. MARTIN (2005) pointed out that "accountants may need to develop conversational skills and create space for discussion opportunities that can be used to uncover and influence clients' succession thinking and other business advisory needs". Communicative skills in providing business advice and the capability to identify the needs of owner-managers are growing in importance. "To act as business advisors and provide effective support to SMEs, accountants need to rethink their role as one assisting empowerment, not merely delivering a service" (SAMUJH & DEVI, 2008).

Consequently, more attention is needed on how the *relationship* between an external accountant and an owner-manager is maintained, especially in an area with high accounting automation. BULUKIN et al. (2005) found that "best-practice" small firm accountancy practices had a formal agreement with their clients to meet on a regular basis in order to discuss how to enhance value creation. In Belgium, external accountants and bookkeepers are encouraged by IAB and BIBF to draw an "as-

signment letter". This is a tool to settle agreements in advance in order to exclude misunderstandings. In this way, owner-managers know what services their accountant is able to provide, they know the price for these services, they know what they can expect from their accountant and what their accountant expects from them. External accountants and owner-managers who understand each other would be expected to cooperate more effectively (KIRBY & KING, 1997; McNEILLY & BARR, 2006).

However, the question remains; how should accountants position themselves among *other service providers*? Some owner-managers turn to their accountant to get business advice, but there are also other external service providers who could fulfil this demand (BLACKBURN ET AL., 2010). Advice concerning human resource management, company secretariat to businesses and pension planning for example, are three domains with a high level of *competition*. These types of advices are mainly carried out by lawyers or other service providers (BLACKBURN & JARVIS, 2010). Marketing advice, strategic planning, information technology and advice concerning health/safety/environmental regulation are mainly not provided by accountants (BLACKBURN & JARVIS, 2010). This trend puts pressure on the competition for accountants and pushes their challenge to face these developments (BLACKBURN & JARVIS, 2010).

6. CONCLUSION

The changing role of the external accountant creates opportunities for future research. As pointed out, it is important to frame the legal context, the size and type of advice in order to analyse this changing role of the accountant thoroughly. We expect *further computerisation of the profession*, wherein the provision of business advice will become more important. Are external accountants ready for these changes? The literature mentions that accountants will need additional skills and competencies in order to tackle this challenge. But which competencies form the key to success in this changing environment? The question whether accountants should specialise or evolve to a one-stop-shop remains unanswered, given the new context of the technological evolution.

Will the competition with *other service providers* increase and jeopardize the future of external accountants? Specialisation and intense cooperation with other professionals might enable accountants to tackle the increasing complexity they are facing. Future research might further explore diversification strategies for accounting firms. The literature stresses the augmented demand for business advice, but from the accountants' point of view, the revenues gained from the provision of business ad-

The Role of External Accountants as Service Providers for SMEs: a Literature Review

vice is still relatively small. It could be interesting to study the revenue model more in detail.

Currently, an *expectation gap* occurs in the relationship between the external accountant and the SME client. Despite the fact that accountants are used frequently, and despite their great expertise and institutional trust, they are not always consulted for management issues and broad-based strategic business advice. Currently the potential of accountants is not exploited to its full extent. In order to reveal the full, potential, added value of the accountants' services, both the owner-manager and the accountant have to close the existing expectation gap (KIRBY & KING, 1997; BLACKBURN ET AL., 2010). On the one hand, accountants should be more alert for problems their clients face and show greater involvement towards them (MCNEILLY & BARR, 2006). Owner-managers on the other hand, should be aware of the full potential the accountant has to offer (KIRBY & KING, 1997; MARRIOTT & MARRIOTT, 2000; GOODERHAM ET AL., 2004; KAMYABI & DEVI, 2011a). The literature identified various reasons for the existence of this gap such as perceived incompetence of the external accountant, the absence of empathy and the ignorance of the full potential of the accountant. Should external accountants present the provision of advice more promptly in their 'basic service package'? Owner-managers should of course be aware of the importance of their financial literacy and the potential, added value which external accountants are able to provide. Effective communication, and understanding the needs (and competencies) of the owner-manager are extremely important. Especially in light of the changing role of the external accountant. Certainly, more research is needed here.

A lot of research highlights the changing role of the accountant from the supply point of view. But *what needs* do SMEs actually have regarding their external accountant as a service provider? Previous studies show partial results about the determinants for the demand of business advice from external accountants. What do owner-managers actually expect from the service provision of their external accountant and which elements are necessary to strengthen their cooperation? A broad-based gap analysis concerning the relationship between the external accountant and the owner-manager, regarding the changing role of the external accountant, might set this clear. Furthermore, it would be interesting to study the impact of new and more user-friendly bookkeeping programs and especially smart scanning programs. Do/will they actually lead to an increase of additional business advice?

Finally, educational institutions should be aware of these important changes as their assignment is to prepare students for these challenges in the field. The question remains how ac-

counting education should be adapted to tackle the changes in job requirements of future accountants.

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The Role of External Accountants as Service Providers for SMEs: a Literature Review

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